Oklahoma City Industrial and Cultural Facilities Trust

A Component Unit of the City of Oklahoma City, Oklahoma

Auditor's Reports and Financial Statements

June 30, 2014 and 2013

BKD LLP
CPAs & Advisors

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
June 30, 2014 and 2013

Contents

BKD LLP
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Two Leadership Square South Tower // 211 N. Robinson Avenue, Suite 600 // Oklahoma City, OK 73102-9421
405.606.2580 // fax 405.600.9799 // bkd.com

Independent Auditor's Report

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Industrial and Cultural Facilities Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 7* to the basic financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
December 17, 2014

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

Introduction

This management's discussion and analysis of the financial performance of Oklahoma City Industrial and Cultural Facilities Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma, provides an overview of the Trust's financial activities for the years ended June 30, 2014 and 2013. It should be read in conjunction with the accompanying financial statements of the Trust.

Financial Highlights

- Cash and cash equivalents increased in 2014 and 2013 by $99,909 and $260,069, respectively.
- The Trust was advanced $500,000 and $600,000 in 2014 and 2013, respectively, on its note payable.
- The Trust's net position decreased in 2014 and 2013 by $5,876,743 and $652,642, respectively.

Using This Annual Report

The Trust's financial statements consist of three statements—a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Trust. The Trust accounts for its operations as an enterprise fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, similar to private business enterprises.

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows and net position. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Trust.

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Trust. They are also able to determine how much the Trust owes vendors and lenders.

Total assets of the Trust decreased by $5,266,722 in 2014 compared to an increase of $12,391 in 2013. The 2014 decrease was primarily a result of an impairment loss of $5,143,599, recorded to reflect the Journal Record Building's net realizable value, or estimated selling price, on the statement of net position. The increase in 2013 was a result of additional cash and cash equivalents available from advances on the note payable used to fund the operations of the Journal Record Building offset by a decrease in capital assets due to depreciation.

Total liabilities increased in 2014 by $610,021 and in 2013 by $665,033 primarily as a result of the advance of $500,000 and $600,000, respectively, on the note payable used to fund expenses associated with the operation of the Journal Record Building.

Table 1: Condensed Statements of Net Position

	2014	2013 Restated	Change	% Change	2012 Restated	Change	% Change
Current and other assets	$ 1,004,932	$ 891,257	$ 113,675	13%	$ 642,068	$ 249,189	39%
Capital assets	5,553,266	10,933,663	(5,380,397)	-49%	11,170,461	(236,798)	-2%
Total assets	6,558,198	11,824,920	(5,266,722)	-45%	11,812,529	12,391	0%
Note payable	5,424,133	4,924,133	500,000	10%	4,324,133	600,000	14%
Accrued interest	879,500	774,300	105,200	14%	678,817	95,483	14%
Other liabilities	49,058	44,237	4,821	11%	74,687	(30,450)	-41%
Total liabilities	$ 6,352,691	$ 5,742,670	$ 610,021	11%	$ 5,077,637	$ 665,033	13%
Net investment in capital assets	$ 1,229,133	$ 6,609,530	$ (5,380,397)	-81%	$ 6,846,328	$ (236,798)	-3%
Unrestricted (deficit)	(1,023,626)	(527,280)	(496,346)	94%	(111,436)	(415,844)	373%
Net position	$ 205,507	$ 6,082,250	$ (5,876,743)	-97%	$ 6,734,892	$ (652,642)	-10%

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expense and changes in net position reports how the Trust's net position changed during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. For the years ended June 30, 2014 and 2013, the change in net position was a loss of $5,876,743 and $652,642, respectively. The 2014 loss increased $5,224,101, primarily driven by the impairment loss of $5,143,599. Other factors contributing to the loss were a reduction in rental income of approximately $40,000 and an increase in management and professional fees of approximately $60,000.

Table 2: Condensed Statements of Revenues, Expenses and Changes in Net Position

	2014	2013 Restated	Change	% Change	2012 Restated	Change	% Change
Rental income	$ 132,766	$ 173,379	$ (40,613)	-23%	$ 171,562	$ 1,817	1%
Other	21,734	11,010	10,724	97%	26,306	(15,296)	-58%
Total revenues	154,500	184,389	(29,889)	-16%	197,868	(13,479)	-7%
Professional and trust fees	81,444	45,960	35,484	77%	61,393	(15,433)	-25%
Journal Record Building	360,545	379,735	(19,190)	-5%	386,528	(6,793)	-2%
Parking lot expense	34,527	35,374	(847)	-2%	34,152	1,222	4%
Depreciation expense	236,798	236,798	-	0%	236,798	-	0%
Management fees	50,000	25,000	25,000	100%	45,000	(20,000)	-44%
Administrative and general expense	19,130	18,681	449	2%	19,142	(461)	-2%
Total operating expenses	782,444	741,548	40,896	6%	783,013	(41,465)	-5%
Nonoperating expense	(5,248,799)	(95,483)	(5,153,316)	5397%	(86,483)	(9,000)	10%
Change in net position	$ (5,876,743)	$ (652,642)	$ (5,224,101)	800%	$ (671,628)	$ 18,986	-3%

Economic Factors

The Trust owns and operates the Journal Record Building's commercial unit and adjacent parking lot. A Request for Proposals to purchase and redevelop the properties was issued in December 2012. A Purchase and Development Agreement was signed in March 2013 and the Trust is currently negotiating with the conditionally approved developer and expects to sell the commercial unit and lease the parking lot (with an option to purchase) in fiscal year 2015. The sale, if consummated, will result in a loss to the Trust, which has been recorded in the accompanying 2014 financial statements.

Contacting the Trust's Management

This financial report is designed to provide a general overview of the Trust's finances, comply with finance-related laws and regulations and demonstrate commitment to public accountability. If you have any questions about this report or would like to request additional information, please contact the Trust's general manager at 105 N. Hudson, Suite 101, Oklahoma City, Oklahoma 73102.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Net Position
June 30, 2014 and 2013

Assets

	2014	2013 (Restated – *Note 7*)
Current Assets		
Cash and cash equivalents	$ 975,919	$ 876,010
Due from trust funds administered	15,000	15,000
Accounts receivable	12,265	-
Prepaid and other	1,748	247
	1,004,932	891,257
Capital Assets, Net	5,553,266	10,933,663
Total assets	6,558,198	11,824,920

Liabilities

	2014	2013 (Restated – *Note 7*)
Current Liabilities		
Current portion of note payable	769,000	-
Accounts payable and accrued liabilities	49,058	44,237
Accrued interest	879,500	-
	1,697,558	44,237
Accrued Interest	-	774,300
Note Payable	4,655,133	4,924,133
Total liabilities	6,352,691	5,742,670

Net Position

	2014	2013 (Restated – *Note 7*)
Invested in capital assets, net	1,229,133	6,609,530
Unrestricted (deficit)	(1,023,626)	(527,280)
Total net position	$ 205,507	$ 6,082,250

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013 (Restated – *Note 7*)
Operating Revenues		
Rental income	$ 132,766	$ 173,379
Administrative fees	16,000	4,969
Oil and gas revenue	5,684	5,163
Interest income	50	844
Other	-	34
Total revenues	154,500	184,389
Operating Expenses		
Expenses related to the operation of the Journal Record Building	360,545	379,735
Professional and trust fees	81,444	45,960
Management fees to the Alliance for Economic Development of Oklahoma City	50,000	25,000
Parking lot expense	34,527	35,374
Office expense	11,068	10,198
Utility expense	8,062	8,483
Depreciation expense	236,798	236,798
Total expenses	782,444	741,548
Operating Loss	(627,944)	(557,159)
Nonoperating Expenses		
Interest expense	(105,200)	(95,483)
Impairment loss on the Journal Record Building	(5,143,599)	-
	(5,248,799)	(95,483)
Change in Net Position	(5,876,743)	(652,642)
Net Position, Beginning of Year, as Previously Reported	6,082,250	7,413,709
Restatement Applicable to Prior Years	-	(678,817)
Net Position, Beginning of Year, as Restated	6,082,250	6,734,892
Net Position, End of Year	$ 205,507	$ 6,082,250

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Operating Activities		
Rental income	$ 132,766	$ 173,379
Oil and gas revenue	5,684	5,163
Administrative fees and others	3,735	13,085
Interest received	50	844
Payments to vendors and suppliers	(542,326)	(535,413)
Net cash used in operating activities	(400,091)	(342,942)
Noncapital Financing Activities		
Proceeds from note payable	500,000	600,000
Investing Activities		
Receipts on note receivable	-	3,011
Net Increase in Cash and Cash Equivalents	99,909	260,069
Cash and Cash Equivalents, Beginning of Year	876,010	615,941
Cash and Cash Equivalents, End of Year	$ 975,919	$ 876,010
Reconciliation of Change in Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (627,944)	$ (557,159)
Adjustments to reconcile excess of change in net assets to net cash used in operating activities		
Depreciation expense	236,798	236,798
(Increase) decrease in accounts receivable	(12,265)	8,116
Increase in prepaid and other	(1,501)	(247)
Increase (decrease) in accounts payable and accrued liabilities	4,821	(30,450)
Net cash used in operating activities	$ (400,091)	$ (342,942)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The Oklahoma City Industrial and Cultural Facilities Trust (the Trust) is an Oklahoma public trust and an agency of the State of Oklahoma. The Trust was created on December 15, 1962, to promote the development of industrial, manufacturing, medical, civic, cultural and educational activities of the City of Oklahoma City, Oklahoma (the City) and the State of Oklahoma. The Trust was created under the provisions of Title 60, Oklahoma Statutes and other applicable statutes and laws. The City is the beneficiary of the Trust and will receive all residual trust funds and assets upon termination of the Trust.

Operations

The Trust arranges bond and loan financing through trustee banks to industrial, manufacturing, medical, civic, cultural and educational enterprises located principally in Oklahoma City for the purpose of constructing, purchasing, expanding or otherwise improving the facilities required by such enterprises. In March 1998, the Trust acquired the Journal Record Building, which was damaged in the Alfred P. Murrah Federal Building bombing on April 19, 1995, to rehabilitate and restore the building.

Basis of Accounting

The Trust accounts for its operations as an enterprise fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, similar to private business enterprises. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. The Trust first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all highly liquid debt instruments purchased with a maturity of three months or less and money market mutual funds to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the amount management expects to collect from outstanding balances. The Trust provides an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Based on this assessment, no allowance for doubtful accounts was required at June 30, 2014 or 2013.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Trust:

Buildings and improvements	40 years

Long-Lived Asset Impairment

The Trust accounts for the impairment of capital assets using the guidance provided in Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 is a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by GASB Statement No. 42, is a significant, unexpected decline in the service utility of a capital asset. Governments generally hold capital assets because of the services the capital assets provide; consequently, capital asset impairments affect the service utility of the assets. Governments may also acquire assets to redevelop economically depressed areas and are often willing to sell those properties at a price below the carrying value of the assets which includes both acquisition and improvement costs. The Journal Record Building is a property acquired by the Trust in part because of its historical significance and in part as a plan to redevelop the area in which the building was located. The Journal Record Building was improved and operated by the Trust as rental property for several years. In fiscal year 2014, the Trust made the decision to sell the Journal Record Building. As a result of this decision, the Trust has reclassified this capital asset as an asset held for sale and recorded an impairment loss of $5,143,599 in the year ended June 30, 2014 (see *Note 3* for details).

Net Position

Net position of the Trust is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Trust, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Trust, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

There were no restricted net positions at June 30, 2014 and 2013.

Administrative Fees

The Trust receives administrative fees from certain projects. Such fees are based on a percentage of the project's bonds outstanding (1/12th to 1/8th of 1%) or are fixed amounts as determined by the trust indenture.

Income Taxes

The Trust is exempt from federal income taxes under Section 115 of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

Note 2: Deposits and Investments

Custodial risk is the risk that in the event of the failure of a counterparty the Trust will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Trust or are held by a counterparty or the counterparty's trust department but not in the name of the Trust.

The policy of the Trust is to require all deposits to be maintained in accounts which are fully insured or collateralized. As of June 30, 2014 and 2013, the Trust had no uninsured or uncollateralized deposits. The Trust requires that investment collateral be held by a third-party custodian with whom the Trust has a current custodial agreement in the Trust's name.

Investments in the Goldman Sachs Financial Government Obligations Fund, included in cash equivalents, totaled $946,568 and $827,117 at June 30, 2014 and 2013, respectively. The investment has ratings of AAAm and Aaa-mf by Standard & Poor's Ratings Group and Moody's Investors Service, Inc., respectively, and a weighted-average duration of 54 days.

Note 3: Due from Trust Funds Administered

The Trust was due $15,000 at June 30, 2014 and 2013, from trust funds administered for administrative fees earned.

Note 4: Capital Assets and Related Note Payable

On March 17, 1998, the Trust entered into an agreement with the City to undertake the acquisition and improvement of the Journal Record Building, which was damaged in the bombing of the Alfred P. Murrah Federal Building on April 19, 1995. The Trust manages the operations of the building, which consists primarily of housing a memorial museum and renting space to other parties.

The required funding for this project was provided by the City through a United States Department of Housing and Urban Development (HUD) Community Development Block Grant. This funding was made in the form of a nonrecourse loan to the Trust and in the form of a grant, which does not require repayment.

The proceeds from the loan are designated to provide for improvement to, and ongoing operation, maintenance and leasing of the Journal Record Building and ancillary facilities. Subsequent to the original agreement, this loan has been amended multiple times. At June 30, 2013, the loan amount was $4,924,133. During fiscal year 2014, the loan was amended increasing the total amount on the loan to $5,424,133. Of this amount, $4,324,133 was attributed to the acquisition and improvements to the building. The nonrecourse loan is in the form of a 20-year promissory note, which bears interest at 2% and is secured by a mortgage on the building and is repayable solely from cash flows from the project. All principal and interest amounts owed under the agreement and its amendments were deferred until after December 31, 2014. The future maturities of the note payable were approximately $769,000 – 2015, $1,663,000 – 2016, $1,697,000 – 2017 and $1,295,000 – 2018.

In the event of default under this loan agreement, the primary remedies of the City are to terminate further advances and declare the loan immediately due and commence collection/foreclosure proceedings. Furthermore, the City has agreed to look solely to the Trust's interest in the project as the source of security for payment and will not seek a deficiency or other monetary judgment against the Trust.

The Trust has entered into a lease agreement with the Oklahoma City National Memorial Institute for the Prevention of Terrorism for approximately 18% of the Journal Record Building. The lease term commenced on January 1, 2004, and expired December 31, 2013, with equal monthly installments of $9,030 over a 10-year period. The lease was not renewed when it expired.

The Trust signed a purchase agreement on March 5, 2014, to sell the Journal Record Building. The buyer had a 120-day contingency/review period which ended August 5, 2014, with a 30-day extension option which they exercised on August 5, 2014, extending the contingency/review period to September 4, 2014. A second extension was agreed upon on September 4, 2014, moving the end of the review period to October 6, 2014. The closing date shall be no later than 30 days after the expiration of the contingency/review period.

The proposed sales price is $7,250,000 of which $2,650,000 will be deposited in escrow until such time as the buyer's ability to obtain funding through monetized Historic Rehabilitation Tax Credits is determined. If the buyer is unable to obtain the full amount of $2,650,000, then the purchase price will be reduced on a dollar-for-dollar basis for the amount not obtained. The unconditional portion of the purchase price is $4,600,000, which is the considered net realizable value of the Journal Record Building as of June 30, 2014, and the $2,650,000 is considered a gain contingency which will be recorded if and when realized.

As part of the purchase agreement, the buyer agrees to lease the Journal Record Building parking lot at $60,563 per year for a lease term of 99 years commencing on the possession date. The buyer has the option to purchase the parking lot at the appraised value of $1,275,000 for the first 10 years and at amounts specified in the ground lease agreement after that. The buyer will be allowed to construct a multi-story parking garage on the parking lot and make other improvements, such as retail, office and/or residential space.

As a result of the pending sale of the Journal Record Building, the Trust recognized an impairment loss of $5,143,599 as a result of adjusting the value of the building to the expected net realizable value of $4,600,000, which is the noncontingent portion of the purchase price per the purchase agreement between the Trust and the buyer. The adjustment consisted of the write off of $6,921,918 of the cost of the building and $1,778,319 of the accompanying accumulated depreciation as the Journal Record Building will be considered an asset held for sale as of June 30, 2014, and will no longer be a depreciable asset.

Capital assets consist of the following at June 30:

	2014	2013
Nondepreciable capital assets		
Held for sale	$ 4,600,000	$ -
Land	953,266	3,003,266
Total nondepreciable capital assets	5,553,266	3,003,266
Depreciable capital assets		
Buildings and improvements	-	9,471,918
Less accumulated depreciation	-	(1,541,521)
Total depreciable capital assets	-	7,930,397
Total capital assets	$ 5,553,266	$ 10,933,663

Note 5: Note Receivable

On October 15, 2002, the Trust completed the sale of approximately 6% of the Journal Record Building to the Oklahoma City National Memorial Trust (the Memorial Trust) for a purchase price of $71,760. Under the purchase agreement, the Memorial Trust signed a promissory note in the amount of $71,760, with an interest rate of 5% annually, payable to the Trust in equal monthly installments of $761 over a 10-year period. During 2013, the promissory note was received in full.

Note 6: Conduit Debt Obligations

From time to time, the Trust has issued industrial revenue bonds and leasing obligations to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds and leasing obligations are secured by the property financed and are payable solely from payments received on underlying mortgage loans or leasing agreements. Upon repayment of the bonds and leasing obligations, ownership of the acquired facilities transfers to the private-sector entity. The Trust is not obligated in any manner for repayment of the bonds or leasing obligations; accordingly, the bonds and leasing obligations are not reported as liabilities in the accompanying financial statements.

As of June 30, 2014, there were three series of industrial revenue bonds and leasing obligations outstanding with an aggregate principal amount payable of approximately $36,803,155. As of June 30, 2013, there were four series with an approximate aggregate principal amount payable of $40,788,000.

Note 7: Restatement

In prior years, the Trust did not record accrued interest on the Journal Record Building loan. During 2014, the Trust retroactively corrected its financial statements to record the accrued interest on this loan in its financial statements. Adjustments of $678,817 applicable to 2012 and prior have been included in the restated 2013 beginning net position balance. This change decreased the 2013 and 2012 change in net position by $95,483 and $86,483, respectively.

BKD LLP
CPAs & Advisors
Two Leadership Square South Tower // 211 N. Robinson Avenue, Suite 600 // Oklahoma City, OK 73102-9421
405.606.2580 // fax 405.600.9799 // bkd.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Oklahoma City Industrial and Cultural Facilities Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated December 17, 2014, which contained an *Emphasis of Matter* paragraph regarding a restatement for a correction of an error.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 14-01 to be a material weakness.

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust

Compliance

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Trust's Response to the Finding

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We noted certain matters that we reported to the Trust's management in a separate letter dated December 17, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 17, 2014

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2014

Reference Number	Finding
14-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls over financial reporting. Condition – During 2014, the Trust determined accrued interest relating to the Journal Record Building loan should be recorded as the interest was not waived as previously thought by the Trust's management. The decision resulted in the restatement of previously issued financial statements. Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties. Effect – A prior period adjustment was recognized to record the accrued costs and the accrued interest payable. Cause – The Trust improperly concluded that the interest on the Journal Record Building loan from the City of Oklahoma City was being waived by the City of Oklahoma City. Recommendation – The Trust's management should work with the counterparties to ensure that both parties have a common understanding of the formal agreements between the parties. Views of Responsible Officials and Planned Corrective Actions – Management agrees and has amended the financial statements to reflect the agreement. Future agreements will be reviewed by the Chief Financial Officer for incorporation into the financial statement preparation process.